

URBANA CORPORATION

2017

2017 ANNUAL REPORT

Corporate Information

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DIRECTORS AND OFFICERS OF THE COMPANY:

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Director, President and CEO
Toronto, Ontario

Beth Colle
Director
Toronto, Ontario

George D. Elliott
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Toronto, Ontario

Michael B.C. Gundy
Director
Toronto, Ontario

Charles A.V. Pennock
Director
Toronto, Ontario

Sylvia V. Stinson
Chief Financial Officer

Harry K. Liu
General Counsel and Corporate Secretary

Urbana Corporation's Common
Shares and Non-Voting Class A
Shares are listed for trading on
the Toronto Stock Exchange and
the Canadian Securities Exchange.
Ticker Symbols:
URB (Common Shares)
URB.A (Non-Voting Class A Shares)

Website: www.urbanacorp.com

URBANA CORPORATION

REPORT TO SHAREHOLDERS

2017 was a positive year for equity markets. Urbana Corporation (“Urbana”) fully participated with a gain in net assets per share of 14.8% compared with a 9.1% gain for the S&P/TSX Total Return Composite Index (“S&P/TSX Index”) during the same period.

Our marketable securities of U.S. financial services companies, representing approximately 43% of Urbana’s portfolio at December 31, 2017, had a total return of 33.8% in U.S. dollar terms during 2017. This also compares favourably with a Dow Jones Industrial Average Index (“DJIA Index”) gain of 28.1% during the same period.

The long-term compound annual growth rate of our net assets per share from inception on October 1, 2002 to December 31, 2017 is 16.1%. This compares to 9.4% for the S&P/TSX Index and 9.1% for the DJIA Index (converted to Canadian dollars) for the same period. Urbana’s returns are calculated after corporate capital gains taxes.

We did realize losses in some smaller resource companies toward year-end as we felt it prudent to increase the proportion of larger, liquid companies Urbana holds going into 2018. Our thinking was that, in a volatile environment, it would be important to have the ability to move holdings quickly.

Recent stock market growth has been fueled by historically low interest rates and U.S. tax and regulatory changes. The U.S. tax and regulatory changes are already factored into current equity prices. Looking to the future, we see a strong U.S. economy putting upward pressure on wage rates, inflation and, as a consequence, interest rates. This could mute or even reverse equity market gains in 2018.

Canada also faces uncertainty regarding NAFTA negotiations, which could impact the Canadian dollar. To date, the Canadian dollar has moved upward in 2017 on the strength of commodity and energy pricing as well as on an overall decline in the U.S. dollar. This has dampened the performance of our U.S. holdings. As of year end, we were of the opinion the Canadian dollar remained vulnerable to America’s aggressive NAFTA negotiating tactics.

Real Matters Inc. and the Bombay Stock Exchange, two significant Urbana holdings, completed their initial public offerings in 2017. After the mandatory hold periods, the remaining shares we own in these companies became freely tradeable in November 2017 and February 2018, respectively.

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The trend these days appears to be “going public” does not guarantee a price lift. Often, there is a “digestion” or “unload” period. Longer-term we are optimistic on both of these enterprises.

Our investment in CNSX Markets Inc., the operator of the Canadian Securities Exchange (“CSE”), is looking very positive with the explosion in trading volumes of marijuana stocks. Hopefully, this will be a springboard for the CSE to expand in other sectors.

In regard to our Urban Township (Quebec) mining claims, we plan on de-emphasizing exploration work this winter, focusing on completing our compilation of all work to date. A comprehensive report summarizing both the exploration work completed in the recent past and results to date is underway and will assist in determining next steps. Shareholders will be informed of any resulting decisions.

The Toronto Transit Commission has a subway warning sign, which reads, “Mind The Gap”. We want to ensure our shareholders that the “gap” between our asset value and share price is not ignored by Management. Over the past years, Urbana has purchased back and cancelled approximately 40 million Class A shares, or roughly 50% of the initially outstanding Class A shares. That “gap” or discount benefitted our remaining shareholders.

The Board of Directors instituted Urbana’s first dividend of \$0.05 per share in 2014 and doubled it in 2017 by adding a “special” dividend for a total dividend of \$0.10 per share. We maintained the \$0.10 per share dividend in 2018 by increasing the regular dividend to \$0.07 and paying a special \$0.03 dividend.

One challenge presented by our current capital markets is the fact that there are few remaining independent brokers conducting independent research. The large bank controlled brokerage entities focus more on packaged products and actively discourage the purchase of small to medium sized enterprises. There are now many corporate “orphans” and thus bargains in this category. Urbana is one of them, where, as of year end, an investor could buy \$5.03 in assets, with a strong historic growth rate, for \$3.42 (URB.A).

For 2018, Management is working to raise Urbana’s profile through an aggressive program of advertising and event sponsorships.

To summarize, the danger spots for 2018 could be interest rates, NAFTA and the ever present possibility of inflammatory language and behaviour coming from Washington causing a world trade war.

Just after the turn of the year investors changed their perception of the strong U.S. economy from a positive to a negative. This change was based upon potential inflation driving up interest rates, which could impede both equity markets and the economy overall.

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First, we would suggest that no central banker would act precipitously or in the extreme in this regard. The stock market collapse in 1987, due to the Federal Reserve Chairman Alan Greenspan hiking rates twice in short order, is now part of all central bankers' training. Central bankers around the world will, as a consequence, be both late and slow in increasing interest rates. They will follow events, not lead.

That being said, the stock market had a precipitous decline in January 2018, followed by sharp, partial recoveries. Volatility is now back and focused on potential interest rate increases. We are of the opinion that new factors such as Exchange Traded Funds and volatility instruments such as the CBOE Volatility Index ("VIX") are exacerbating market moves.

Further, speculative positions in low volatility and high volatility trades add to market pressures in each direction, up and down.

Bottom line, extreme share price movements are now becoming an increasing part of investing.

That notwithstanding, we have all faced worse and come out with positive results. Traded correctly, volatility can present investing opportunities.

On behalf of Urbana's Board of Directors



Thomas S. Caldwell, C.M.
President and CEO

Forward-Looking Statements

Certain information contained in this Report constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of Urbana, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. For important information regarding forward-looking statements, please refer to Urbana's most recently filed MD&A under the heading "Forward-Looking Statements"

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URBANA CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2017

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the audited financial statements of Urbana Corporation ("Urbana" or the "Corporation") and notes thereto for the year ended December 31, 2017 (the "Annual Audited Financial Statements"). Consequently, the following discussion and analysis of the financial condition and results of operations should be read in conjunction with the Annual Audited Financial Statements, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts shown in this MD&A, unless otherwise specified, are presented in Canadian dollars. This MD&A is current as of March 9, 2018. The Corporation's Audit Committee reviewed this document, and prior to its release the Corporation's Board of Directors approved it on the Audit Committee's recommendation.

You can obtain information relating to the Corporation, including the Corporation's annual information form and Annual Audited Financial Statements, at no cost, by calling Urbana collect at (416) 595-9106, by writing to us at: 150 King Street West, Suite 1702, Toronto, Ontario M5H 1J9 or by visiting our website at www.urbanacorp.com or the SEDAR website at www.sedar.com.

REPORTING REGIME

In 2005, the Corporation became an investment fund for the purposes of applicable securities laws.

On July 13, 2015, shareholders voted to authorize the Corporation, at the sole discretion of its board of directors, from time to time, to seek to exercise control over issuers in which it invests, such that the Corporation would no longer be an investment fund for securities law purposes (the "Reclassification"). As a result of the Reclassification, Urbana is subject to National Instrument 51-102 ("NI 51-102") *Continuous Disclosure Obligations*, instead of National Instrument 81-106 ("NI 81-106") *Investment Fund Continuous Disclosure* to which it was subject prior to the Reclassification. Under NI 51-102, Urbana is required to file annual and interim Management's Discussion and Analysis. For accounting purposes, Urbana continues to be treated as an investment entity under IFRS.

NON-GAAP MEASURES

The Corporation prepares and releases audited annual financial statements and unaudited condensed interim financial statements in accordance with IFRS, but complements IFRS results in this MD&A with the following financial measures which are not recognized under IFRS and which do not have a standard meaning prescribed by IFRS: "net assets per share", "total return of net assets per share" and "compound annual growth rate of net assets per share since inception".

Net assets per share

The three financial measures used to calculate “net assets per share”, namely assets, liabilities and number of shares outstanding, are individually recognized under IFRS, but “net assets per share” is not. The calculation of net assets per share as at December 31, 2017 and December 31, 2016 is presented in the following table:

	2017	2016
Assets (\$)	266,820,930	260,141,738
LESS Liabilities (\$)	15,535,894	23,464,936
EQUALS Net Assets (\$)	251,285,036	236,676,802
DIVIDED BY Number of Shares Outstanding	50,000,000	52,863,200
EQUALS Net assets per share (\$)	5.03	4.48

Total return of net assets per share

The total return of net assets per share over a given period refers to the increase or decrease of Urbana’s net assets per share over a specified time period, expressed as a percentage of Urbana’s net assets per share at the beginning of the time period, assuming that each dividend paid during the period was reinvested at a price equal to the net assets per share at the relevant time.

Compound annual growth rate of net assets per share since inception

Compound annual growth rate (“CAGR”) of net assets per share since inception is the compound annual growth rate of Urbana’s net assets per share from October 1, 2002, when Caldwell Investment Management Ltd., the investment manager of Urbana, started managing Urbana’s investment portfolio, to the end of the period in question.

We calculate CAGR of net assets per share since inception by dividing Urbana’s net assets per share at the end of the period in question by its net assets per share at inception (i.e. October 1, 2002), raising the result to the power of the quotient obtained by having one divided by the number of years representing the period length, and subtracting one from the subsequent result.

The Corporation provides the three non-IFRS measures indicated above because it believes each measure can provide information that may assist shareholders to better understand the Corporation’s performance and to facilitate a comparison of the results of ongoing operations. No measure that is calculated in accordance with IFRS is directly comparable to or provides investors with this net assets per share information. As a result, no quantitative reconciliation from “net assets per share” to an IFRS measure is provided in this MD&A.

Non-IFRS measures should not be construed as alternatives to net comprehensive income (loss) determined in accordance with IFRS as indicators of the Corporation’s performance and readers are cautioned not to view non-IFRS measures as alternatives to financial measures calculated in accordance with IFRS. CAGR of net assets per share since inception describes the historical rate at which Urbana’s net assets per share would have increased at a steady rate. This single historical rate is only an illustration and does not represent the actual annual growth rate of Urbana’s net assets per share in any given year. The growth rate of Urbana’s net assets per share in any given year since 2002 may have been higher or lower than the CAGR of net assets per share due to market volatility and other factors.

BUSINESS STRATEGY AND RISK FACTORS

The strategy of Urbana is to seek out, and invest in, private investment opportunities for capital appreciation and to invest in publicly traded securities to provide growth, income and liquidity. Urbana has the scope to invest in any sector in any region. There were no material changes to Urbana's investment style in 2017 that affected the overall level of risk associated with investment in the Corporation. Some of the risk factors associated with investing in Urbana are described in Urbana's most recent annual information form which is available on the Corporation's website at www.urbanacorp.com and on SEDAR at www.sedar.com. Risks and uncertainties that may materially affect Urbana's future performance include individual corporate risk, macroeconomic risk, currency risk and product price risk.

OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

The first quarter of 2017 ("Q1") was positive for Urbana. Net assets per share grew from \$4.48 to \$4.65, after the payment of a dividend of ten cents (\$0.10) per share¹ in January 2017, resulting in a 6.2% total return of net assets per share in Q1. We decreased our holdings in some of our core positions (such as Canadian Imperial Bank of Commerce and Suncor Energy), to facilitate investments in other opportunities.

In the second quarter of 2017 ("Q2"), net assets per share continued to grow from \$4.65 to \$4.70, representing a 1.1% total return of net assets per share (7.3% for the six months ended June 30, 2017). During Q2, the Canadian dollar strengthened, thus muting the performance of our U.S. dollar denominated investments.

In the third quarter of 2017 ("Q3"), public equity markets were essentially flat. We added to our senior resource company positions (such as Suncor Energy and Teck Resources), in order to participate in resurgent energy prices. In Q3 Urbana's net assets per share increased from \$4.70 to \$4.78, for a 1.7% total return of net assets per share (9.1% for the nine months ended September 30, 2017).

In the fourth quarter of 2017 ("Q4"), Urbana increased its Suncor Energy holdings and took some profits in Morgan Stanley, Bank of America and Intercontinental Exchange Group. In Q4 Urbana's net assets per share increased from \$4.78 to \$5.03, representing a 5.2% total return of net assets per share. During that same period, the S&P/TSX Total Return Composite Index ("S&P/TSX Index") increased by 4.5% and the Dow Jones Industrial Average Index (converted to Canadian Dollars) ("DJIA Index") increased by 11.8%.

In 2017, Urbana's net assets per share grew from \$4.48 to \$5.03, after the payment of a dividend of ten cents (\$0.10) per share¹ in January 2017, resulting in a 14.8% total return of net assets per share. During the same period, the S&P/TSX Index increased by 9.1% and the DJIA Index increased by 19.8%.

From October 1, 2002, the date when Caldwell Investment Management Ltd., the investment manager of Urbana, started managing Urbana's investment portfolio, to December 31, 2017, the CAGR of Urbana's net assets per share was 16.1%. During the same period, the CAGR of the S&P/TSX Index was 9.4% and the CAGR of the DJIA Index was 9.1%. The CAGRs of the

¹ The common shares and the Class A shares participate equally in dividends.

S&P/TSX Index and the DJIA Index are calculated in the same way as the CAGR of Urbana. See heading “Non-GAAP Measures” above.

Overall, 2017 was a positive year for equity markets. Sales and dispositions of the Corporation’s investments resulted in realized gains of \$8.1M primarily in respect of sales of financial services companies, including Bank of America and Morgan Stanley. Unrealized gains on the investment portfolio amounted to \$28.1M despite the increased relative value of the Canadian dollar to the U.S. dollar during 2017. We are of the opinion that the Canadian dollar remains vulnerable to America’s aggressive negotiating tactics in respect of NAFTA. Urbana has approximately 52% of its investments in securities that trade in U.S. dollars and thus a decline in the Canadian dollar represents a net benefit to Urbana.

Urbana’s private investments performed well during 2017, led by Bombay Stock Exchange (“BSE”) and Radar Capital Fund 1 Limited Partnership (“Radar 1”). BSE completed an initial public offering (“IPO”) in February 2017. Urbana sold approximately 27% of its BSE shares into the IPO. The remaining shares Urbana owns in BSE became freely tradeable in February 2018. Urbana received a distribution of \$0.9M from Radar 1 in Q2 as a result of Radar 1’s sale of its remaining investment in Real Matters Inc. Real Matters also completed an IPO in May 2017 and its shares became freely tradeable in November 2017. In addition, the valuation of Radar 1 increased in Q4 as a result of a treasury offering of one of its investments.

Urbana’s publicly traded investment portfolio remains heavily weighted toward the U.S. financial services sector. Although these positions provided excellent returns in 2017, in Q4 we lightened some of these positions to lock-in profits, including Morgan Stanley and Bank of America. In early 2017, Urbana purchased positions in a few junior resource companies, including Osisko Mining, Metanor Resources and Beaufield Resources. In late 2017, Urbana sold these positions at a loss in order increase the proportion of larger, liquid companies it holds going into 2018.

Urbana increased its investment in CNSX Markets Inc. (“CNSX”), the operator of the Canadian Securities Exchange (“CSE”), by \$1.4M in the second half of 2017 bringing its ownership of the CNSX to 49%. The CSE recently announced that it is introducing an innovative securities clearing and settlement platform that harnesses the unique features of blockchain technology. This, coupled with an explosion in trading volume on the CSE, primarily due to the cannabis sector, bodes well for the future prospects of the CSE.

During any given quarter, Urbana seeks out opportunistic trades, which generally reflect our strategic thinking. These are short-term positions.

Urbana’s management team combines private equity investment with an actively managed portfolio of publicly traded securities. One sector’s performance can augment or offset the other’s over varying time frames and market cycles. Urbana’s investment performance over the years validates this thesis and operating style.

Recent stock market growth has been fueled by historically low interest rates and U.S. tax and regulatory changes. These changes are already factored into current equity prices. Looking to the future, we see a strong U.S. economy putting upward pressure on wage rates, inflation and, consequently, interest rates. This could mute or even reverse equity market gains in 2018.

In the year ended December 31, 2017, dividend income and interest income were \$2.5M and \$0.1M respectively (2016 - \$2.4M and \$0.1M). The increase in dividend income stemmed primarily from our U.S. financial institution holdings including Citigroup and Morgan Stanley,

which were partially offset by reduced holdings of Canadian financial institutions, including Canadian Imperial Bank of Commerce and Royal Bank of Canada.

Urbana realized a net gain of \$8.1M from the sales and dispositions of investments in 2017 (2016 - \$9.4M). The realized capital gains reflected the disposition of investments in Bank of America (\$3.4M), Morgan Stanley (\$2.9M), Suncor Energy (\$2.3M), CIBC (\$1.8M) and Intercontinental Exchange Group (\$1.0M). These gains were partially offset by capital losses realized on the disposition of investments in Caldwell India Holdings (\$2.6M) and some junior resource companies (\$0.7M).

Urbana recorded \$28.1M in unrealized gains in 2017. Cboe Global Markets, Caldwell India Holdings, Citigroup, Bank of America and Radar 1 were Urbana's best performers in 2017 and together these investments added approximately \$24.1M in unrealized gains in 2017. The unrealized gains were partially offset by unrealized losses on OneChicago, CIBC, Suncor Energy and Barrick Gold.

During the year ended December 31, 2017, Urbana recorded net income before income taxes of \$32.4M (2016 - \$61.0M). The decline is almost entirely due to reduced unrealized gains on investments. Investment management fees were \$4.3M (2016 - \$3.5M) as a result of higher net assets under management in 2017. Interest expenses were \$0.3M (2016 - \$0.4M) due to lower average borrowings in 2017. Transaction costs amounted to \$0.3M (2016 - \$0.6M) due to reduced trading activity in 2017. Professional fees were \$0.4M (2016 - \$0.8M) because 2016 included fees related to advice received in respect of IFRS standards and no such advice was required in 2017. Administrative expenses amounted to \$1.2M (2016 - \$1.4M) as a result of reduced accounting fees paid to third party service providers. Foreign withholding tax expense was \$0.2M (2016 - \$0.4M recovery) because 2016 included the recovery of U.S. withholding taxes remitted in prior years.

Urbana has purchased and cancelled a total of 2,863,200 of its non-voting Class A shares ("Class A shares") in 2017 at an average purchase price of \$3.15 per Class A share. Since May 2010, Urbana has purchased and cancelled a total of 37,526,320 Class A shares under its normal course issuer bid ("NCIB") programs. The number of Class A shares outstanding is 40,000,000.

Financial Highlights

The following table shows selected key financial information about Urbana and is intended to help you understand Urbana's financial performance in the fiscal year ended December 31, 2017 and for the prior three financial years:

	Supplemental Data ⁽¹⁾			
	2017	2016	2015	2014
Total net assets (\$)	251,285,036	236,676,802	186,043,679	187,135,092
Shares outstanding	50,000,000	52,863,200	53,388,500	57,548,300
Net assets per share	\$5.03	\$4.48	\$3.48	\$3.25
Closing market price (common)	\$3.83	\$2.95	\$2.05	\$2.09
Closing market price (Class A)	\$3.42	\$2.99	\$2.05	\$1.97

⁽¹⁾ This information is provided as at the end of the stated financial period.

Selected Annual Information

The following table shows selected annual information about Urbana for the three most recently completed fiscal years of the Corporation:

		2017 (\$)	2016 (\$)	2015 (\$)
Total revenue		38,874,438	67,578,531	16,547,326
Profit from continuing operations attributable to owners of the parent:				
	Total	28,806,337	54,375,308	10,318,568
	Per share	0.57	1.02	0.19
	Diluted per share	0.57	1.02	0.19
Profit attributable to owners of the parent:				
	Total	28,806,337	54,375,308	10,318,568
	Per share	0.57	1.02	0.19
	Diluted per share	0.57	1.02	0.19
Total assets		266,820,930	260,141,738	195,791,525
Total non-current financial liabilities		13,728,000	10,334,000	3,320,000
Cash dividends declared per share:				
	Common shares	0.10	0.05	0.05
	Class A shares	0.10	0.05	0.05

Revenue and profit levels in 2017, 2016 and 2015 were determined primarily by the unrealized and realized gains on the Corporation's investment portfolio. Variations among the years relate to the investment decisions made, market price fluctuations of the investment portfolio and changes in foreign exchange rates. There have been no changes in accounting policies during the years 2015 to 2017. There have been no discontinued operations during the years 2015 to 2017. Total assets have increased each year during the three years ended December 31, 2017 as a result of increasing market values of the investment portfolio. Similarly, non-current financial liabilities, namely deferred income tax liability, have also increased as a result of increased unrealized gains. Dividends were constant over the two years ended December 31, 2016 and were increased to \$0.10 per share in January 2017 as a result of a one-time special dividend of \$0.05 per share due to the excellent 2016 results. A regular dividend of \$0.07 per share and a special dividend of \$0.03 per share (totaling \$0.10 per share) were paid in January, 2018. In all instances, common shares and the Class A shares participated equally in dividends.

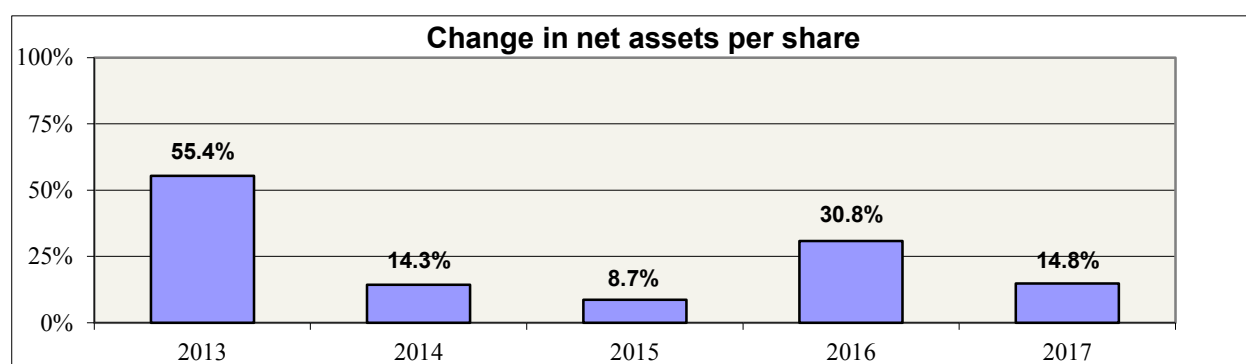
Past Performance

The performance information presented in this section shows how Urbana has performed in the past and does not necessarily indicate how it will perform in the future.

Year-by-Year Performance

The following bar chart shows the net assets per share performance of Urbana's common shares for the financial periods indicated. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period based on the net assets per share of Urbana.

Urbana's Class A shares, which have the same rights as the common shares as to dividends and upon liquidation, are treated the same as the common shares for the purposes of the net assets per share calculation.



Summary of Investment Portfolio As at December 31, 2017

The following data is extracted from Urbana's financial statements for the year ended December 31, 2017:

Number of Securities	Description	Cost (\$)	Fair Value (\$)	% of Portfolio Fair Value
Private equity investments				
757,569	Caldwell India Holdings Inc. ⁽ⁱ⁾	16,501,204	14,140,174	5.30%
395,500	Urbana Mauritius Inc. ⁽ⁱⁱ⁾	7,312,848	7,338,973	2.75%
13,260,878	CNSX Markets Inc.	7,248,349	11,934,790	4.47%
32	Minneapolis Grain Exchange (seats)	7,279,359	6,816,048	2.56%
800,000	Caldwell Financial Ltd.	1,826,650	2,728,000	1.02%
5,000,040	Radar Capital Fund I Limited Partnership ⁽ⁱⁱⁱ⁾	4,358,561	10,050,080	3.77%
300,000	Radar Capital Fund II Series F Limited Partnership	3,000,000	3,945,000	1.48%
300,000	HIVE Blockchain Technologies Ltd.	840,000	1,016,074	0.38%
50	Radar Capital Inc.	50	50	0.00%
9,909,025	Highview Financial Holdings Inc.	5,406,753	8,346,966	3.13%
3,000,000	Four Lakes Capital Fund Limited Partnership	3,000,000	3,798,900	1.42%
406,066	Caldwell Growth Opportunities Trust ^(iv)	3,400,000	4,913,156	1.84%
100	Urbana Special Investment Holdings Ltd. ^(v)	2,894,499	1,403,321	0.53%

Public equity investments				
150,000	CBOE Global Markets, Inc.	4,959,551	23,415,756	8.79%
125,000	Intercontinental Exchange Group Inc.	5,192,307	11,051,019	4.14%
250,000	Citigroup Inc.	11,699,826	23,308,002	8.74%
800,000	Bank of America Corp.	11,159,742	29,589,667	11.09%
250,000	Suncor Energy	9,480,386	11,537,500	4.32%
250,000	Barrick Gold Corp.	4,425,343	4,542,011	1.70%
400,000	Teck Resources Ltd. Class B	4,552,271	13,148,000	4.93%
400,000	Morgan Stanley	11,093,641	26,296,915	9.86%
600,000	Deutsche Bank AG	12,275,552	14,306,183	5.36%
3,135,711	Real Matters Inc. ^(vi)	12,179,624	31,607,967	11.85%
Private debt investments				
500,000	NinePoint Financial Group Inc. ^(vii)	500,000	500,000	0.19%
500,000	NinePoint Financial Group Inc. ^(viii)	500,000	500,000	0.19%
1,300,000	Radar Capital Inc. ^(ix)	1,300,000	63,000	0.02%
	Cash	460,860	460,860	0.17%
	Total	152,847,376	266,758,412	100.00%

⁽ⁱ⁾ Urbana owns 64.57% of the investor shares of Caldwell India Holdings Inc. ("CIHI"), which holds 1,173,319 equity shares of the Bombay Stock Exchange (the "BSE"). These shares became freely tradeable on February 1, 2018. Urbana also owns 100 voting ordinary shares of CIHI representing 100% of the voting ordinary shares. The fair value of these voting ordinary shares is nominal.

⁽ⁱⁱ⁾ Urbana Mauritius Inc., a wholly-owned subsidiary of Urbana, holds 395,500 equity shares of the BSE. These shares became freely tradeable on February 1, 2018.

⁽ⁱⁱⁱ⁾ Radar Capital Fund 1 Limited Partnership ("Radar 1") owns 30% of the common shares of Highview Financial Holdings Inc.

^(iv) Caldwell Growth Opportunities Trust owns 30% of the investor shares of CIHI and 8% of the units of Radar 1.

^(v) Urbana Special Investment Holdings Ltd., a wholly-owned subsidiary of Urbana, holds 51.44262 equity shares of OneChicago LLC.

^(vi) The Real Matters Inc. shares owned by Urbana became freely tradeable on November 7, 2017.

^(vii) Unsecured promissory note maturing on August 1, 2023 with interest at 12% per annum payable quarterly.

^(viii) Unsecured promissory note maturing on August 1, 2023 with interest compounding annually at 12% per annum payable on the maturity date.

^(ix) Unsecured promissory note which is non-interest bearing and due on demand.

In addition to the investments listed above, Urbana holds 44 mining claims in Urban Township, Quebec. Mining expenditures of \$396,055 (2016 - \$464,129) have been recorded as a loss in computing "Net realized gain on sale and disposal of investments" in the Annual Audited Financial Statements.

The above summary of the investment portfolio may change due to ongoing portfolio transactions. Weekly and quarterly updates are available at Urbana's website at www.urbanacorp.com.

Demand Loan Facility

On February 19, 2008, Urbana entered into a demand loan facility with a major Canadian chartered bank (the "Bank"). On March 2, 2015, the loan facility agreement was amended to allow Urbana to borrow up to \$25M. Interest is charged on the outstanding balance of the loan facility at the Bank's prime rate plus 1.25%, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on Urbana's assets. Loan proceeds may be used to make additional investments and/or for general corporate purposes. As at December 31, 2017, the outstanding balance of the loan was \$0.5M, representing 2.0% of the net assets of Urbana (2016 - \$11.8M and 5.0%). The minimum and maximum amount borrowed during 2017 was \$Nil and \$14.4M respectively (2016 - \$Nil and \$16.0M respectively). As at the date of this MD&A, the Corporation has complied with all covenants, conditions or other requirements of the outstanding debt.

Normal Course Issuer Bid

On August 28, 2017, the Toronto Stock Exchange (the “TSX”) accepted Urbana’s notice of intention to conduct a normal course issuer bid to purchase up to 3,965,762 of its own Class A shares (the “NCIB”), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 31, 2017, and will terminate on the earlier of August 30, 2018, the date Urbana completes its purchases pursuant to the notice of intention to conduct a normal course issuer bid filed with the TSX, or the date of notice by Urbana of termination of the bid. The Class A shares purchased under the NCIB must be cancelled. As at December 31, 2017, Urbana had not purchased any Class A shares pursuant to the NCIB.

Pursuant to a previous notice of intention to conduct a normal course issuer bid accepted by the TSX on August 29, 2016 for the period August 31, 2016 to August 30, 2017, Urbana had purchased 2,967,600 Class A shares on the open market at an average purchase price of \$3.12 per share.

Acquisitions and Dispositions of Portfolio Investments

From January 1, 2017 to December 31, 2017, Urbana made the following significant acquisitions and dispositions of portfolio investments:

Acquisitions

Investments	No. of Securities	Cost Base (\$)¹
BetaPro S&P 500 VIX	100,000	1,276,893
Deutsche Bank AG	200,000	3,292,149
Beafield Resources Inc.	1,598,500	304,908
Metanor Resources Inc.	3,575,000	352,270
Osisko Mining Inc.	615,700	2,992,483
Teck Resources Ltd.	100,000	2,410,578
Highview Financial Holdings Inc. - shares	10,040,067	5,481,448
Highview Investments Limited Partnership	2,406,753	2,406,753
NinePoint Financial Group Inc.	1,000,000	1,000,000
CNSX Markets Inc.	1,576,475	1,418,828
Suncor Energy	150,000	6,073,146
CCL Industries Inc.	15,000	999,750
Hudbay Minerals Inc.	246,500	2,488,375
HIVE Blockchain Technologies Ltd.	300,000	840,000
Pengrowth Energy Corp.	1,000,000	1,462,196
Detour Gold Corp.	100,000	1,389,604
Crescent Point Energy Corp.	50,000	556,493

Dispositions

Investments	No. of Securities	Cost Base (\$)¹	Proceeds (\$)¹
Caldwell India Holdings Inc.	835,425	9,098,523	6,492,927
Canadian Imperial Bank of Commerce	100,000	9,032,380	10,783,219
Suncor Energy	275,000	9,369,911	11,596,424
Bank of America	175,000	2,441,193	5,771,449
Industrial Alliance Insurance and Financial Services	28,500	1,586,025	1,521,667
Intercontinental Exchange Group Inc.	25,000	1,038,462	2,033,015
Teck Resources Ltd.	30,000	214,170	835,552
BetaPro S&P 500 VIX	100,000	1,276,893	996,860
Osisko Mining Inc.	615,700	2,992,483	3,001,956
Highview Financial Holdings Inc. – promissory notes	1,600,000	1,600,000	1,600,000
Highview Financial Holdings Inc. – shares	471,926	282,213	306,753
Highview Investments Limited Partnership	5,406,753	5,406,753	5,406,753
Beafield Resources Inc.	1,598,500	304,908	307,113

Morgan Stanley	80,000	2,218,728	5,058,839
Barrick Gold	100,000	1,749,654	1,801,991
Metanor Resources Inc.	425,000	352,270	323,634
CCL Industries Inc.	15,000	999,750	875,971
Hudbay Minerals Inc.	246,500	2,488,375	2,219,628
Detour Gold Corp.	100,000	1,389,604	1,299,775
Pengrowth Energy Corp.	1,000,000	1,462,196	990,506
Crescent Point Energy Corp.	50,000	556,493	465,607

¹ Cost base does not include transaction costs and proceeds are net of transaction costs.

Mining Claims

Urbana has owned mineral claims in Urban Township, Quebec for a number of years. Management monitors the exploration activity in the area on an ongoing basis and may carry out exploration work on its mineral claims if and when it is deemed suitable. Urbana holds 44 claims in the area totaling 1,154.4 hectares or 2,852.7 acres. Geophysical work and drilling have been conducted on previously unexplored portions of our claim group in 2017. Urbana completed a winter drill program in March 2017 targeting several identified geological anomalies. A comprehensive report summarizing both the exploration work completed in the recent past and results to date is underway and will assist in determining next steps.

Urbana has incurred mining expenditures totaling \$1.05M, of which \$0.4M has been recorded as a loss in computing “Net realized gain on sale and disposal of investments” in the Annual Audited Financial Statements, in accordance with IFRS 6. Management has elected to expense exploration and evaluation costs related to the mineral claims as the property holds no known proven reserves or resources. Although the property has several interesting gold occurrences, there has been no ore body tonnage proven up as yet. The property is therefore still highly speculative. If ore body type tonnage is proven up in the future, and the determination has been made to move into the development phase, then future expenditures on development will be capitalized and tested for impairment. The amount of money laid out on exploration has not been material for Urbana and is expected to continue to be immaterial for the near-term.

Dividend Policy and Dividends Paid

Currently the Corporation has a dividend policy that it intends to pay a cash dividend of seven cents (\$0.07) per share to the shareholders as soon as practical after the end of each year. The amount of the dividend to be paid is determined each year by the Board, taking into consideration all factors that the Board deems relevant, including the performance of the Corporation’s investments, the economic and market conditions, and the financial situation of the Corporation.

On February 12, 2016 the Corporation paid a cash dividend of \$0.05 per share on the issued and outstanding common and Class A shares as at January 28, 2016. On January 31, 2017 the Corporation paid a regular cash dividend of \$0.05 per share, plus a special cash dividend of \$0.05 per share, for a total of \$0.10 per share on the issued and outstanding common and Class A shares as at January 17, 2017. On January 31, 2018 the Corporation paid a regular cash dividend of \$0.07 per share, plus a special cash dividend of \$0.03 per share, for a total of \$0.10 per share on the issued and outstanding common and Class A shares as at January 17, 2018.

Pursuant to subsection 89(14) of the *Income Tax Act* of Canada (ITA) each dividend paid by Urbana qualifies as and is designated an eligible dividend for Canadian income tax purposes, as defined in subsection 89(1) of the ITA.

Outstanding Share Data

As at March 9, 2018, the Corporation has 10,000,000 common shares and 40,000,000 Class A shares outstanding.

RELATED PARTY TRANSACTIONS

Caldwell Financial Ltd., a company under common management with Urbana, is the parent company of Caldwell Investment Management Ltd. (“CIM”), the investment manager of Urbana. Urbana pays CIM investment management fees for investment management services that CIM provides to Urbana – refer to “Management Fees” below.

Urbana has a 50% ownership interest in Radar Capital Inc. (“RCI”), a private capital company. As at December 31, 2017 and 2016, Urbana owned 5,000,040 units of Radar 1 and 300,000 units of Radar Capital Fund II Series F Limited Partnership, which are both managed by RCI. As at December 31, 2017 and 2016, Urbana owned 406,066 units of Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM.

RCI also managed Highview Investments Limited Partnership (“HILP”). In 2017, Urbana exchanged the common shares and promissory notes of Highview Financial Holdings Inc. (“HFHI”) it held for additional units of HILP and subsequently converted all its units of HILP into common shares of HFHI as part of a HFHI capital restructuring.

As at December 31, 2017 and 2016, Urbana owned 9,909,025 and 340,884 common shares, respectively, of HFHI. As at December 31, 2017 and 2016, Radar 1 owned 5,945,415 and 3,270,543 common shares respectively, of HFHI. – refer to “Summary of Investment Portfolio” above.

Caldwell Securities Ltd. (“CSL”), a sister company of CIM and a registered broker and investment dealer, handles Urbana’s portfolio transactions. The total amount of commission fees paid to CSL by Urbana during the years ended December 31, 2017, 2016 and 2015 and 2014 amounted to \$0.3M, \$0.5M, \$0.5M and \$0.1M, respectively.

In 2017, Urbana paid CSL \$0.4M (2016 - \$0.4M) for administrative services, including investor relations services, office and conference room access for Urbana’s directors and officers, and accounting services, including the services of an individual to perform the functions of Urbana’s chief financial officer. This expense was included in administrative expenses.

All related party transactions are recorded at their exchange amounts, being amounts established and agreed to by related parties. As at December 31, 2017, there were no fees payable to related parties, other than a management fee of \$1.1M payable to CIM (2016 - \$1.0M).

MANAGEMENT FEES

Investment management fees are charged for portfolio management services in accordance with a fund management and portfolio management agreement effective as of August 1, 2011 between Urbana and CIM. Pursuant to such agreement, CIM is entitled to an investment management fee

equal to 1.5% per annum of the market value of Urbana’s investment portfolio. In 2017, CIM earned \$4.3M of investment management fees from Urbana (2016 - \$3.5M). The investment management fees are accrued daily and paid quarterly in arrears. As at December 31, 2017 there was an investment management fee of \$1.3M payable to CIM.

SUMMARY OF QUARTERLY RESULTS

The tables below show the key operating results of the Corporation for each of the eight most recently completed quarters:

	4 th Quarter 2017 (\$)	3 rd Quarter 2017 (\$)	2 nd Quarter 2017 (\$)	1 st Quarter 2017 (\$)
Realized gain (loss)	4,377,175	(199,081)	2,211,234	1,722,787
Change in unrealized gain	10,311,201	5,472,569	623,450	11,718,625
Dividend income	745,350	567,262	703,053	510,227
Interest income	25,640	25,782	35,095	24,069
Total expenses	1,706,444	1,449,915	1,696,799	1,650,692
Net income before income taxes	13,752,922	4,416,617	1,876,033	12,325,016
Net assets per share (beginning of period)	4.78	4.70	4.65	4.48
Net assets per share (end of period)	5.03	4.78	4.70	4.65

	4 th Quarter 2016 (\$)	3 rd Quarter 2016 (\$)	2 nd Quarter 2016 (\$)	1 st Quarter 2016 (\$)
Realized gain (loss)	4,905,156	(2,615,790)	1,407,292	5,739,608
Change in unrealized gain (loss)	35,829,988	14,874,812	19,282,334	(14,324,894)
Dividend income	665,481	638,646	570,277	517,415
Interest income	35,411	17,534	17,590	17,671
Total expenses	1,917,374	1,404,185	1,626,296	1,634,896
Net income (loss) before income taxes	39,518,662	11,511,017	19,651,197	(9,685,096)
Net assets per share (beginning of period)	3.82	3.62	3.29	3.48
Net assets per share (end of period)	4.48	3.82	3.62	3.29

FOURTH QUARTER

Realized gains in Q4 increased significantly over the realized losses in Q3. This quarter over quarter variation does not reflect any type of pattern or seasonality. Rather, variations relate to the timing of investment decisions. Similarly, variations between Q4 2017 and Q4 2016 also relate to the timing of investment decisions, which are influenced by market movements, cash flow requirements and expectations regarding the economy, the political landscape and considerations related to the specific investments held. See also heading *Overall Performance and Discussion of Operations* above for additional Q4 information.

LIQUIDITY AND CAPITAL RESOURCES

The Corporation has no significant financial or contractual obligations other than a demand loan facility with a major Canadian bank – refer to “Demand Loan Facility” above. The Corporation currently holds approximately 77% of its assets, with a fair value of approximately \$210M, in marketable securities. It has the liquidity to readily meet all its operating expense requirements and its obligations under the loan facility.

In 2017, the Corporation did not conduct any additional financing activities. As at the date of this MD&A, the Corporation does not have any capital expenditure commitment which the Corporation plans to fund from sources other than the existing loan facility or by liquidating some of its marketable securities.

Currently, holdings of readily marketable securities generate dividend or interest income and can be disposed of with relative ease. Should in future the composition of its portfolio be weighted significantly more toward private investments, which do not produce income and cannot be readily sold, the Corporation may need to rely on its credit facilities or issue securities to help meet its liquidity needs. There is no immediate need to rely on these liquidity sources.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation's financial statements in accordance with IFRS requires management to make estimates and exercise judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected. The following discusses the most significant accounting judgments that Urbana has made in preparing the financial statements:

Fair value measurement of private investments

Urbana holds private investments that are not quoted in active markets and for which there may or may not be recent comparable transactions. In determining the fair value of these investments, Urbana has made significant accounting judgments and estimates. See Notes 1 and 2 of the Annual Audited Financial Statements for more information on the fair value measurement techniques and types of unobservable inputs employed by the Corporation in its valuation of private investments.

CHANGES IN ACCOUNTING POLICIES

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The Corporation plans to adopt the new standard the date it becomes effective.

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, classification and measurement of financial assets will be driven by the Corporation's business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair

value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer's own credit risk will be presented in other comprehensive income.

Based on the Corporation's initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Corporation makes decisions based on the assets' fair values and manages the assets to realize those fair values. As such the majority of the Corporation's financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL.

Impairment of financial assets

IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact on the Corporation's financial assets given that the majority of the Corporation's financial assets will continue to be measured at FVTPL.

Hedge accounting

The Corporation does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Corporation's financial statements.

Based on the Corporation's initial assessment, IFRS 9 is not expected to have a material impact on the Corporation's financial statements.

DISCLOSURE CONTROLS AND PROCEDURES ("DC&P") AND INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Urbana's management ("Management"), under the supervision of its chief executive officer ("CEO") and chief financial officer ("CFO"), is responsible for establishing and maintaining the Corporation's DC&P and ICFR (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*).

Consistent with NI 52-109, the Corporation's CEO and CFO have reviewed the design of the Corporation's DC&P and ICFR and have concluded that as at December 31, 2017 (A) the Corporation's DC&P provides reasonable assurance that (i) material information relating to the Corporation has been made known to them, particularly during the financial year ended December 31, 2017 and (ii) information required to be disclosed by the Corporation in its annual filings, interim filings or other reports filed or submitted by it under securities legislation has been recorded, processed, summarized and reported within the time periods specified in securities legislation; and (B) the Corporation's ICFR provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Corporation's CEO and CFO have evaluated the effectiveness of the Corporation's DC&P as at December 31, 2017 and have concluded that the Corporation's DC&P were effective as of that date.

The Corporation's CEO and CFO have also evaluated the effectiveness of the Corporation's ICFR as at December 31, 2017, using the Internal Control-Integrated Framework 2013 issued by the

Committee of Sponsoring Organizations of the Treadway Commission (COSO), and have concluded that the Corporation's ICFR was effective as at that date.

There have been no changes in the Corporation's ICFR that occurred during the period beginning January 1, 2017 and ending on December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Corporation's ICFR. All control systems contain inherent limitations, no matter how well designed. As a result, Management acknowledges that the Corporation's ICFR will not prevent or detect all misstatements due to error or fraud. In addition, Management's evaluation of controls can provide only reasonable, not absolute, assurance that all control issues that may result in material misstatements, if any, have been detected.

FORWARD-LOOKING STATEMENTS

Certain information contained in this MD&A constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of the Corporation, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "target", "intend", "could", "might", "should", "believe", and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to, statements with respect to: the Corporation's investment approach, objectives and strategy, including its focus on specific sectors; the structuring of its investments and its plans to manage its investments; the Corporation's financial performance; and its expectations regarding the performance of certain sectors.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Corporation believes that the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in forward-looking information contained in this MD&A include, but are not limited to: the nature of the Corporation's investments; the available opportunities and competition for its investments; the concentration of its investments in certain industries and sectors; the Corporation's dependence on its management team; risks affecting the Corporation's investments; global political and economic conditions; investments by the Corporation in private issuers which have illiquid securities; management of the growth of the Corporation; exchange rate fluctuations; and other risks and factors referenced in this MD&A including under "Business Strategy and Risk Factors".

Although the Corporation has attempted to identify important factors that could cause actual events or results to differ materially from those described in forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Readers are cautioned that the foregoing list of risks and factors is not exhaustive. The forward-looking information contained in this MD&A is provided as at the date of this MD&A, based upon the opinions and estimates of management and information available to management as at the date of this MD&A, and the Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law. Readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

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Audited Financial Statements of

Urbana Corporation

December 31, 2017 and December 31, 2016

Urbana Corporation

December 31, 2017 and December 31, 2016

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Independent Auditor's Report

To the Shareholders of Urbana Corporation

We have audited the accompanying financial statements of Urbana Corporation, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Urbana Corporation as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 9, 2018

Urbana Corporation

Statements of financial position

as at December 31, 2017 and December 31, 2016

(In Canadian dollars)

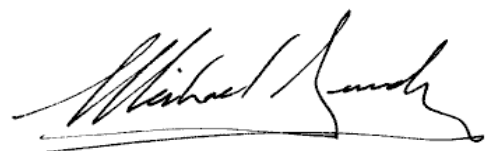
	December 31, 2017	December 31, 2016
	\$	\$
Assets		
Cash	460,860	386,699
Investments, at fair value (Notes 2 and 3)	266,297,552	259,611,829
Accounts and other receivables (Note 4)	62,518	143,210
	266,820,930	260,141,738
Liabilities		
Loan payable (Note 6)	500,000	11,800,000
Accounts payable and accrued liabilities (Note 5)	1,307,894	1,330,936
Deferred income tax liability (Note 10)	13,728,000	10,334,000
	15,535,894	23,464,936
Shareholders' equity		
Share capital (Note 8)	123,636,334	131,913,662
Contributed surplus	66,602,286	67,335,274
Retained earnings	61,046,416	37,427,866
Shareholders' equity representing net assets	251,285,036	236,676,802
Total liabilities and shareholders' equity	266,820,930	260,141,738
Number of shares outstanding (Note 8)	50,000,000	52,863,200

See accompanying notes

Approved by the Board



Director



Director

Urbana Corporation

Statements of comprehensive income

for the years ended December 31, 2017 and December 31, 2016

(In Canadian dollars)

	2017	2016
	\$	\$
Revenue		
Net realized gain on sale and disposal of investments	8,112,115	9,436,266
Net change in unrealized gain on investments	28,125,845	55,662,240
Dividends	2,525,892	2,391,819
Interest revenue	110,586	88,206
	38,874,438	67,578,531
Expenses		
Investment management fees (Note 9)	4,269,204	3,513,461
Interest	325,808	359,281
Administrative (Note 9)	1,229,563	1,354,543
Transaction costs (Note 9)	254,051	559,487
Professional fees	425,224	795,979
	6,503,850	6,582,751
Net income before income taxes	32,370,588	60,995,780
Foreign withholding tax expense (recovery) (Note 10)	170,251	(393,528)
Provision for deferred income taxes (Note 10)	3,394,000	7,014,000
Income tax expense	3,564,251	6,620,472
Total profit and comprehensive income for the year	28,806,337	54,375,308
Basic and diluted earnings per share	0.57	1.02
Weighted average number of shares outstanding	50,489,846	53,076,669

See accompanying notes

Urbana Corporation

Statements of changes in equity for the years ended December 31, 2017 and December 31, 2016 (In Canadian dollars)

	Share capital	Contributed surplus	Retained earnings/ (deficit)	Total
	\$	\$	\$	\$
Balance at January 1, 2016	133,432,271	66,889,412	(14,278,004)	186,043,679
Total profit and comprehensive income for the year	-	-	54,375,308	54,375,308
Dividends paid	-	-	(2,669,438)	(2,669,438)
Normal course issuer bid repurchases	(1,518,609)	445,862	-	(1,072,747)
Balance at December 31, 2016	131,913,662	67,335,274	37,427,866	236,676,802
Balance at January 1, 2017	131,913,662	67,335,274	37,427,866	236,676,802
Total profit and comprehensive income for the year	-	-	28,806,337	28,806,337
Dividends paid	-	-	(5,187,787)	(5,187,787)
Normal course issuer bid repurchases	(8,277,328)	(732,988)	-	(9,010,316)
Balance at December 31, 2017	123,636,334	66,602,286	61,046,416	251,285,036

See accompanying notes

Urbana Corporation

Statements of cash flows

for the years ended December 31, 2017 and December 31, 2016

(In Canadian dollars)

	2017	2016
	\$	\$
Operating activities		
Total profit and comprehensive income for the year	28,806,337	54,375,308
Items not affecting cash		
Net realized gain on sale and disposal of investments	(8,508,170)	(9,900,395)
Net change in unrealized gain on investments	(28,125,845)	(55,662,240)
Provision for deferred income taxes	3,394,000	7,014,000
Purchases of investments	(34,420,707)	(65,346,846)
Proceeds on sale of investments	64,368,999	66,571,972
	25,514,614	(2,948,201)
Net change in non-cash working capital items		
Accounts and other receivables	80,692	(59,243)
Current income taxes	-	87,515
Accounts payable and accrued liabilities	(23,042)	403,090
	57,650	431,362
Cash provided by (used in) operating activities	25,572,264	(2,516,839)
Financing activities		
Issuance of loan payable	36,100,000	53,200,000
Repayment of loan payable	(47,400,000)	(46,900,000)
Dividends paid	(5,187,787)	(2,669,438)
Normal course issuer bid repurchases	(9,010,316)	(1,072,747)
Cash provided by (used in) financing activities	(25,498,103)	2,557,815
Net change in cash during the year	74,161	40,976
Cash, beginning of year	386,699	345,723
Cash, end of year	460,860	386,699
Supplemental disclosure		
Interest paid	325,808	359,281

See accompanying notes

Urbana Corporation

Schedule of investment portfolio as at December 31, 2017

(In Canadian dollars)

Number of securities	Description	Cost	Fair value
	Private equity investments	\$	\$
757,569	Caldwell India Holdings Inc.(i)	16,501,204	14,140,174
395,500	Urbana Mauritius Inc. (ii)	7,312,848	7,338,973
13,260,878	CNSX Markets Inc.	7,248,349	11,934,790
32	Minneapolis Grain Exchange (seats)	7,279,359	6,816,048
800,000	Caldwell Financial Ltd. (Note 9)	1,826,650	2,728,000
5,000,040	Radar Capital Fund 1 Limited Partnership (iii) (Note 9)	4,358,561	10,050,080
300,000	Radar Capital Fund II Series F Limited Partnership (Note 9)	3,000,000	3,945,000
300,000	HIVE Blockchain Technologies Ltd.	840,000	1,016,074
50	Radar Capital Inc. (Note 9)	50	50
9,909,025	Highview Financial Holdings Inc. (Note 9)	5,406,753	8,346,966
3,000,000	Four Lakes Capital Fund Limited Partnership	3,000,000	3,798,900
406,066	Caldwell Growth Opportunities Trust (iv) (Note 9)	3,400,000	4,913,156
100	Urbana Special Investment Holdings Ltd. (v)	2,894,499	1,403,321
		63,068,273	76,431,532
	Public equity investments		
150,000	Cboe Global Markets, Inc.	4,959,551	23,415,756
125,000	Intercontinental Exchange Group Inc.	5,192,307	11,051,019
250,000	Citigroup Inc.	11,699,826	23,308,002
800,000	Bank of America Corp.	11,159,742	29,589,667
250,000	Suncor Energy	9,480,386	11,537,500
250,000	Barrick Gold Corp.	4,425,343	4,542,011
400,000	Teck Resources Ltd. Class B	4,552,271	13,148,000
400,000	Morgan Stanley	11,093,641	26,296,915
600,000	Deutsche Bank AG	12,275,552	14,306,183
3,135,711	Real Matters Inc. (vi)	12,179,624	31,607,967
		87,018,243	188,803,020
	Private debt investments		
500,000	NinePoint Financial Group Inc. (vii)	500,000	500,000
500,000	NinePoint Financial Group Inc. (viii)	500,000	500,000
1,300,000	Radar Capital Inc.(ix)	1,300,000	63,000
		2,300,000	1,063,000
		152,386,516	266,297,552

(i) Urbana owns 64.57% of the investor shares of Caldwell India Holdings Inc. ("CIHI"), which holds 1,173,319 equity shares of the Bombay Stock Exchange (the "BSE"). These shares became freely tradeable on February 1, 2018. Urbana also owns 100 voting ordinary shares of CIHI representing 100% of the voting ordinary shares. The fair value of these voting ordinary shares is nominal.

(ii) Urbana Mauritius Inc., a wholly-owned subsidiary of Urbana, holds 395,500 equity shares of the BSE. These shares became freely tradeable on February 1, 2018.

(iii) Radar Capital Fund 1 Limited Partnership ("Radar 1") owns 30% of the common shares of Highview Financial Holdings Inc.

(iv) Caldwell Growth Opportunities Trust owns 30% of the investor shares of CIHI and 8% of the units of Radar 1.

(v) Urbana Special Investment Holdings Ltd., a wholly-owned subsidiary of Urbana, holds 51.44262 equity shares of OneChicago LLC.

(vi) The Real Matters Inc. shares owned by Urbana became freely tradeable on November 7, 2017.

(vii) Unsecured promissory note maturing on August 1, 2023 with interest at 12% per annum payable quarterly.

(viii) Unsecured promissory note maturing on August 1, 2023 with interest compounding annually at 12% per annum payable on the maturity date.

(ix) Unsecured promissory note which is non-interest bearing and due on demand.

In addition to the investments listed above, Urbana holds 44 mining claims in Urban Township, Quebec. Mining expenditures of \$396,055 (2016 - \$464,129) have been recorded as a loss in computing net realized gain on sale and disposal of investments.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

Urbana Corporation (“Urbana” or the “Company”) is an investment company originally incorporated as a mineral exploration company named Macho River Gold Mines Limited under the Companies Act (Ontario) on August 25, 1947. A change of business application from a mining issuer to an investment issuer was approved by the TSX Venture Exchange in July, 2005. As a result of the change, the Company was considered an investment fund for the purposes of applicable securities laws.

On July 13, 2015, shareholders voted in favour of a resolution which effectively removed the classification of the Company as an investment fund. As a result, Urbana is not considered an investment fund for securities law purposes but continues to be treated as an investment fund for accounting purposes.

The Company’s common shares and non-voting class A shares (“Class A Shares”) are listed for trading on the Toronto Stock Exchange (“TSX”) and the Canadian Securities Exchange (“CSE”). Its registered head office is Box 47, 150 King Street West, Suite 1702, Toronto, Ontario, M5H 1J9.

The strategy of Urbana is to seek out, and invest in, private investment opportunities for capital appreciation and to invest in publicly traded securities to provide growth, income and liquidity.

1. Summary of significant accounting policies

Basis of presentation

These annual financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The Company qualifies as an investment entity under IFRS 10, *Consolidated Financial Statements*.

Statement of compliance

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the period. Actual results could differ from those estimates. Significant judgments and estimates included in the financial statements relate to the valuation of level 3 investments and realization of the deferred income tax liability.

Classification and measurement of investments

In classifying and measuring financial instruments held by the Company, Urbana is required to make significant judgments about whether or not the business of the Company is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39 *Financial Instruments – Recognition and Measurement*. The most significant judgments made include the determination whether certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Valuation of investments

Investments are measured at fair value in accordance with IFRS 13 *Fair Value Measurement*. Publicly traded securities are valued at the close price on the recognized stock exchange on which the securities are listed or principally traded, provided the close price is within the bid-ask spread.

The Minneapolis Grain Exchange (“MGEX”) is valued based on the current price of a seat, as quoted by the exchange.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

1. Summary of significant accounting policies (continued)

Judgments and estimates (continued)

Valuation of investments (continued)

Securities which are listed on a stock exchange or traded over-the-counter and which are subject to a hold period or other trading restrictions are valued as described above, with an appropriate discount as determined by management.

Investments for which reliable quotations are not readily available, or for which there is no closing bid price, including securities of private issuers, are valued at fair value using management's best estimates. A number of valuation methodologies are considered in arriving at fair value, including comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows, industry valuation benchmarks and available market prices. During the initial period after an investment has been made, cost translated using the period end foreign currency exchange rate may represent the most reasonable estimate of fair value. Unrealized gains and losses on investments are recognized in the Statements of Comprehensive Income.

The Company takes its own credit risk and the risk of its counterparties into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. Management has reviewed its policies concerning valuation of assets and liabilities and believes that the fair values ascribed to the financial assets and financial liabilities in the Company's financial statements incorporate appropriate levels of credit risk.

There are inherent uncertainties in the process of valuing investments for which there are no published markets. Management uses various valuation techniques with unobservable market inputs in its determination of fair value of private investments, those most significant of which are disclosed in Note 2. Management exercises judgment in the determination of certain assumptions about market conditions existing at the date of the financial statements in the application of the chosen valuation techniques. As such, the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

Refer to Note 2 for the classification of the fair value measurements.

Mining Claims

In accordance with IFRS 6 "*Exploration for and Evaluation of Mineral Resources*", Urbana has elected to expense exploration and evaluation costs given that its mineral claims hold no known proven reserves or resources.

Segmented information

The Company is organized as one main operating segment, namely the management of the Company's investments, in order to achieve the Company's investment objectives.

Functional and presentation currency

The Company considers its functional and presentation currency to be the Canadian dollar, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in Canadian dollars.

Foreign currency translation

The monetary assets and liabilities of the Company are translated into Canadian dollars, the Company's functional currency, at exchange rates in effect at the date of the statement of financial position. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange gains and losses are included in the Statements of

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

1. Summary of significant accounting policies (continued)

Comprehensive Income for the period. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

Financial instruments

The Company's financial instruments are comprised of cash, investments, accounts and other receivables, loan payable, and accounts payable and accrued liabilities. The Company recognizes financial instruments at fair value upon initial recognition.

Investments have been designated at fair value through profit or loss ("FVTPL") with gains and losses recorded in net income. Cash, accounts and other receivables are recorded as loans and receivables and are carried at amortized cost. Loan payable and accounts payable and accrued liabilities are recorded as other financial liabilities and are carried at amortized cost. The carrying values approximate their fair values due to their short-term maturities.

Transaction costs

Transaction costs are expensed as incurred and are included in "Transaction costs" in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

Deferred income taxes

The Company accounts for income taxes using the liability method, whereby deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and measured using substantively enacted income tax rates and laws that are expected to be in effect when the differences are expected to reverse. Income tax expense for the period is the tax payable for the period and any change during the period in the deferred tax assets and liabilities. A valuation allowance is provided to the extent that it is not probable that deferred tax assets will be realized.

Investment transactions and income recognition

Investment transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date. Interest income is recorded on an accrual basis.

Realized gains and losses from investment transactions and unrealized net gain or loss on foreign exchange and investments are calculated on an average cost basis.

Earnings per share

Basic earnings per share is computed by dividing the total profit for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares, which are included when the conditions necessary for issuance have been met. Diluted earnings per share reflects the assumed conversion of all dilutive securities using the "treasury stock" method for purchase warrants and stock options.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

1. Summary of significant accounting policies (continued)

Interests in Other Entities

The table below presents the unconsolidated subsidiaries of the Company as at December 31, 2017:

Subsidiary's Name	Place of Business	% of Equity Interest held by Urbana	% of Voting Rights held by Urbana
Caldwell India Holdings Inc.	Mauritius	64.57%	100%
Urbana Mauritius Inc.	Mauritius	100%	100%
Urbana Special Investment Holdings Ltd.	Toronto	100%	100%

The table below presents the unconsolidated subsidiaries of the Company as at December 31, 2016:

Subsidiary's Name	Place of Business	% of Equity Interest held by Urbana	% of Voting Rights held by Urbana
Caldwell India Holdings Inc.	Mauritius	58.84%	100%
Urbana Mauritius Inc.	Mauritius	100%	100%
Urbana Special Investment Holdings Ltd.	Toronto	100%	100%

2. Fair value measurement

Fair value measurements of the investments are classified based on a three-level hierarchy that reflects the significance of the inputs used in making the measurements. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2017:

	December 31, 2017			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Public equity investments	188,803,020	-	-	188,803,020
Private equity investments	-	29,311,269	47,120,263	76,431,532
Private debt investments	-	-	1,063,000	1,063,000
	188,803,020	29,311,269	48,183,263	266,297,552

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2017

Description	Fair value ⁽¹⁾	Primary Valuation technique used	Significant unobservable inputs	Input/Range ⁽²⁾
Private equity investments	\$			
Caldwell India Holdings Inc. – owns Bombay Stock Exchange shares	14,140,174	Market transaction	Discount for lack of marketability	1.0% discount
Urbana Mauritius Inc. – owns Bombay Stock Exchange shares	7,338,973	Market transaction	Discount for lack of marketability	1.0% discount
Highview Financial Holdings Inc.	8,346,966	EV as a % of AUM ⁽³⁾ EV as a % of AUA ⁽⁴⁾	EV as a % of AUM EV as a % of AUA	1.0%-4.0% 0.5%
Urbana Special Investment Holdings Ltd.	1,403,321	Average P/E multiple	Average P/E multiple	LTM P/E: 8.6-115.9 ⁽⁵⁾ NTM P/E: 8.5-34.0 ⁽⁶⁾
Caldwell Financial Ltd.	2,728,000	Prescribed formula in shareholder's agreement	1 x net fees plus net assets	N/A
CNSX Markets Inc.	11,934,790	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	4,913,156	Net asset value per unit	Net asset value per unit	N/A
HIVE Blockchain Technologies Ltd.	1,016,074	Market transaction	Discount for lack of marketability	1.3% discount
Radar Capital Fund 1 Limited Partnership	10,050,080	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Fund II Series F Limited Partnership	3,945,000	Net asset value per unit	Net asset value per unit	N/A
Minneapolis Grain Exchange (seats)	6,816,048	Market transaction	Recent transaction price	N/A
Four Lakes Capital Fund Limited Partnership	3,798,900	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc.	50	N/A	N/A	N/A

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2017 (continued)

Description	Fair value ⁽¹⁾	Primary Valuation technique used	Significant unobservable inputs	Input/Range ⁽²⁾
Private debt investments				
Radar Capital Inc.	63,000	Cash value	N/A	N/A
NinePoint Financial Group Inc.	500,000	Face value	N/A	N/A
NinePoint Financial Group Inc.	500,000	Face value	N/A	N/A
Ending balance	77,494,532			

⁽¹⁾ See Note 1 – Valuation of investments

⁽²⁾ Where it is not applicable, an input or range has not been provided

⁽³⁾ Enterprise value of assets under management

⁽⁴⁾ Enterprise value of assets under administration

⁽⁵⁾ Last twelve months P/E: 30.78x

⁽⁶⁾ Next twelve months P/E: 17.75x

The following is a summary of the Company's investments categorized in the fair value hierarchy as at December 31, 2016:

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Public equity investments	157,264,569	-	-	157,264,569
Private equity investments	-	7,080,744	93,475,297	100,556,041
Private debt investments	-	-	1,791,219	1,791,219
	157,264,569	7,080,744	95,266,516	259,611,829

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2016

Description	Fair value ⁽¹⁾	Primary Valuation technique used	Significant unobservable inputs	Input/Range ⁽²⁾
Private equity investments	\$			
Caldwell India Holdings Inc. – owns Bombay Stock Exchange shares	17,371,898	Analysis of comparable exchanges	P/E multiple	20.6-43.3
Urbana Mauritius Inc. – owns Bombay Stock Exchange shares	6,025,177	Analysis of comparable exchanges	P/E multiple	20.6-43.3
Bermuda Stock Exchange	73,816	Analysis of comparable exchanges	P/E multiple	16.9-30.5
Urbana Special Investment Holdings Ltd.	3,352,413	Weighted average of discounted cash flow, and Average P/E multiple	Discount rate Average P/E multiple	12.74% LTM P/E: 10.1-254.8 ⁽³⁾ NTM P/E: 11.3-44.0 ⁽⁴⁾
Caldwell Financial Ltd.	2,432,000	Prescribed formula in shareholder's agreement	1 x net fees plus net assets	N/A
Minneapolis Grain Exchange (seats)	7,080,744	Market transaction	Recent transaction price	N/A
CNSX Markets Inc.	10,515,963	Market transaction	Recent transaction price	N/A
Caldwell Growth Opportunities Trust	4,374,225	Net asset value per unit	Net asset value per unit	N/A
Highview Financial Holdings Inc.	194,304	EV as a % of AUM ⁽⁵⁾ EV as a % of AUA ⁽⁶⁾	EV as a % of AUM EV as a % of AUA	1.0%-4.0% 0.5%
Real Matters Inc.	32,599,513	Market transaction	Recent transaction price	N/A
Radar Capital Fund 1 Limited Partnership	7,235,338	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Fund II Series F Limited Partnership	3,000,000	Net asset value per unit	Net asset value per unit	N/A
Highview Investments Limited Partnership	3,000,000	Net asset value per unit	Net asset value per unit	N/A
Four Lakes Capital Fund Limited Partnership	3,300,600	Net asset value per unit	Net asset value per unit	N/A
Radar Capital Inc.	50	N/A	N/A	N/A

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

2. Fair value measurement (continued)

Level 2 and 3 valuation methods – December 31, 2016 (continued)

Description	Fair value ⁽¹⁾	Primary Valuation technique used	Significant unobservable inputs	Input/Range ⁽²⁾
Private debt investments				
Radar Capital Inc.	191,219	Cash value	N/A	N/A
Highview Financial Holdings Inc.	1,500,000	Face value	N/A	N/A
Highview Financial Holdings Inc.	100,000	Face value	N/A	N/A
Ending balance	102,347,260			

⁽¹⁾ See Note 1 – Valuation of investments

⁽²⁾ Where it is not applicable, an input or range has not been provided

⁽³⁾ Last twelve months P/E: 45.99x

⁽⁴⁾ Next twelve months P/E: 14.90x

⁽⁵⁾ Enterprise value of assets under management

⁽⁶⁾ Enterprise value of assets under administration

Change in valuation methodology

During 2017, the Company changed the primary valuation technique for Caldwell India Holdings Inc. (“CIHI”) and Urbana Mauritius Inc. (“UMI”) from a methodology based on a P/E multiple to a methodology based on a recent market transaction, discounted due to a hold period. This change was made since the shares of the Bombay Stock Exchange, which are the primary investment of CIHI and UMI, commenced trading on a stock exchange. Similarly, the shares of Real Matters Inc. commenced trading on a stock exchange in 2017 and as a result, the valuation methodology has been changed from a recent market transaction price in an inactive market to a recent market transaction price in an active market, discounted due to a hold period.

During 2016, the Company changed the primary valuation technique for Urbana Special Investment Holdings Ltd. from a methodology based on a recent market transaction to a weighted average of discounted cash flows and average P/E multiples. During 2017, the Company’s primary valuation technique changed to a methodology based only on average P/E multiples. These changes were made because management determined that the 2015 transaction that was used in the 2016 valuation was no longer reflective of fair value due to the passage of time and the level of uncertainty associated with discounted cash flows was unacceptable.

During the years ended December 31, 2017 and 2016 the reconciliations of investments measured at fair value using unobservable inputs (Level 3) are presented as follows:

	December 31, 2017		
	Private equity investments	Private debt investments	Total
	\$	\$	\$
Beginning balance	93,475,297	1,791,219	95,266,516
Change in unrealized gain (loss)	12,537,709	(128,219)	12,409,490
Purchases	8,981,860	1,000,000	9,981,860
Sales	(14,787,489)	(1,600,000)	(16,387,489)
Transfers out of level 3	(53,087,114)	-	(53,087,114)
Ending balance	47,120,263	1,063,000	48,183,263

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

2. Fair value measurement (continued)

	December 31, 2016		
	Private equity investments	Private debt investments	Total
	\$	\$	\$
Beginning balance	67,459,474	1,135,504	68,594,978
Change in unrealized gain (loss)	20,469,861	(244,285)	20,225,576
Purchases	10,307,204	900,000	11,207,204
Sales	(4,761,242)	-	(4,761,242)
Ending balance	93,475,297	1,791,219	95,266,516

Sensitivity analysis to significant changes in unobservable inputs within the Level 2 and 3 hierarchy

The significant unobservable inputs used in the fair value measurement categorized within Level 2 and 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at December 31, 2017 and December 31, 2016 are as shown below:

Level 2 and 3 valuation methods – December 31, 2017

Description	Input	Sensitivity used ⁽¹⁾	Effect on fair value (\$)
Private equity investments	1 x net fees plus net assets	10%	272,800
	Average P/E multiple	1X	59,600
	EV as a % of assets under management	1%	3,401,291
	EV as a % of assets under administration	1%	4,085,611
	Recent transaction price	10%	1,875,084
	Discount for lack of marketability	5%	1,124,761
	Net asset value per unit	10%	2,270,719
Private debt investments	Cash value	10%	6,300
	Face value	10%	100,000
Total			13,196,166

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

2. Fair value measurement (continued)

Level 2 and 3 valuation methods - December 31, 2016

Description	Input	Sensitivity used ⁽¹⁾	Effect on fair value (\$)	
Private equity investments	P/E multiple	1X	1,041,748	
	1 x net fees plus net assets	10%	243,200	
	Average P/E multiple	1X	10,661	
	Discount rate	1%	846,889	
	Recent transaction price	10%	5,019,622	
	Net asset value per unit	10%	2,091,021	
	EV as a % of assets under management	1%	143,960	
	EV as a % of assets under administration	1%	198,581	
	Private debt investments	Cash value	10%	19,122
		Face value	10%	160,000
Total			9,774,804	

⁽¹⁾ The sensitivity analysis refers to a percentage or multiple added or deducted from the input and the effect this has on the fair value while all other variables were held constant.

During 2017, the investments in CIHI, UMI and Real Matters Inc. were transferred out of Level 3 to Level 2 because shares of the Bombay Stock Exchange, which are the primary investment of CIHI and UMI, and shares of Real Matters Inc. commenced trading on a stock exchange in 2017. In addition, during 2017 the investment in Real Matters Inc. was transferred out of Level 2 to Level 1 because the shares became freely tradeable during the year. During 2016, there were no transfers into/out of Level 1, Level 2 or Level 3 investments.

3. Financial instruments and risk management

The Company's activities expose it to a variety of financial risks. Management seeks to minimize potential adverse effects of these risks on the Company's performance by employing professional, experienced portfolio advisors, and through daily monitoring of the Company's position and market events.

Credit risk

Credit risk represents the potential loss that the Company would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Company. The Company maintains all of its cash at its custodian or in overnight deposits with a Canadian chartered bank. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. As at December 31, 2017, the Company holds approximately \$1.1 million (2016 - \$1.8 million) in debt instruments. The fair value of the debt instruments includes a consideration of the credit worthiness of the debt issuer and the security provided against the outstanding amount. The carrying amount of investments and other assets represent the maximum credit exposure as disclosed in the statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligation when due. The following tables detail the Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Company can be required to pay.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

3. Financial instruments and risk management (continued)

Liquidity risk (continued)

	December 31, 2017		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Loan payable	500,000	-	500,000
Accounts payable and accrued liabilities	-	1,307,894	1,307,894
	500,000	1,307,894	1,807,894

	December 31, 2016		
	financial liabilities due on demand	< 3 months	Total
	\$	\$	\$
Loan payable	11,800,000	-	11,800,000
Accounts payable and accrued liabilities	-	1,330,936	1,330,936
	11,800,000	1,330,936	13,130,936

Liquidity risk is managed by investing in assets that are traded in an active market and can be readily sold or by borrowing under its credit facility (Note 6). The Company's common shares and Class A Shares cannot be redeemed by shareholders. The Company endeavors to maintain sufficient liquidity to meet its expenses.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar. The Company is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rise. When the value of the Canadian dollar rises, the value of foreign investments fall.

The table below indicates the currencies to which the Company had significant exposure as at December 31, 2017 and 2016:

Currency	December 31, 2017	December 31, 2016
	As a % of net assets	As a % of net assets
	%	%
United States Dollar	54.69	52.32
Indian Rupee	8.55	9.89
	63.24	62.21

As at December 31, 2017, the Company's net assets would have decreased or increased by approximately \$7,945,558 (2016 - \$7,361,175) in response to a 5% appreciation or depreciation of the Canadian dollar, with all other variables held constant. In practice, the actual results may differ materially.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

3. Financial instruments and risk management (continued)

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments such as promissory notes held. The Company is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is a reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

The table below summarizes the Company's exposure to interest rate risks by remaining term to maturity.

	Less than 1 year	1 – 3 years	3 – 5 years	Over 5 years	Total
	\$	\$	\$	\$	\$
Financial asset – promissory notes					
December 31, 2017	63,000	-	-	1,000,000	1,063,000
December 31, 2016	1,791,219	-	-	-	1,791,219
Loan payable					
December 31, 2017	500,000	-	-	-	500,000
December 31, 2016	11,800,000	-	-	-	11,800,000

As at December 31, 2017, had prevailing interest rates increased or decreased by 1%, with all other variables held constant, the net assets would have decreased or increased by approximately \$77,978 (2016 - \$90,443). In practice, the actual results may differ materially.

Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. Any equity and derivative instrument that the Company may hold is susceptible to market price risk arising from uncertainties about future prices of the instruments. Management moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value.

The most significant exposure for the Company to other price risk arises from its investment in publicly and privately traded securities. As at December 31, 2017, for publicly traded securities, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$18,880,302 (2016 - \$ 15,726,457) (approximately 7.51% (December 31, 2016 - 6.64%) of total net assets). In practice, the actual results may differ materially. Management is unable to meaningfully quantify any correlation of the price of its privately owned equities to changes in a benchmark index.

Capital management

Management manages the capital of the Company which consists of the net assets, in accordance with the Company's investment objectives. The Company is not subject to any capital requirements imposed by a regulator. The Company must comply with the covenants on the loan payable (Note 6).

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

4. Accounts and other receivables

Accounts and other receivables consist of the following:

	December 31, 2017	December 31, 2016
	\$	\$
Dividends	22,038	125,610
Interest	40,480	17,600
	62,518	143,210

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist of the following:

	December 31, 2017	December 31, 2016
	\$	\$
Investment management fees (Note 9)	1,119,796	1,012,695
Professional fees	138,727	279,809
Loan interest	12,338	38,432
Administrative fees	33,475	-
Other	3,558	-
	1,307,894	1,330,936

6. Loan payable

On February 19, 2008, the Company entered into a demand loan facility with a major Canadian bank (the "Bank"). On March 2, 2015 the loan facility agreement was amended to allow the Company to borrow up to \$25,000,000 from the Bank at any given time. Interest is charged on the outstanding balance of the loan facility at the Bank's prime rate plus 1.25%, calculated on a daily basis and paid monthly. The loan facility is secured by a general charge on the Company's assets. Loan proceeds may be used to make additional investments and/or for general corporate purposes. As at December 31, 2017, the outstanding balance of the loan was \$500,000 (2016 - \$11,800,000) which is the fair value of the loan. During the year ended December 31, 2017, the minimum amount borrowed was \$Nil (2016 - \$Nil) and the maximum amount borrowed was \$14,400,000 (2016 - \$16,000,000). As at December 31, 2017 and 2016, the Company has complied with all covenants, conditions or other requirements of the outstanding debt.

7. Mining Claims

Urbana has owned mineral claims in Urban Township, Quebec for a number of years. Management monitors the exploration activity in the area on an ongoing basis and may carry out exploration work on its mineral claims if and when it is deemed suitable. Urbana holds 44 claims in the area totaling 1,154.4 hectares or 2,852.7 acres. Geophysical work and drilling have been conducted on previously unexplored portions of our claim group in 2017. Urbana completed a winter drill program in March 2017 targeting several identified geological anomalies. A comprehensive report summarizing both the exploration work completed in the recent past and results to date is underway and will assist in determining next steps. In accordance with IFRS 6 "Exploration for and Evaluation of Mineral Resources", Urbana has elected to expense exploration and evaluation costs given that its mineral claims hold no known proven reserves or resources. Urbana has incurred costs totaling \$1,051,406 of which \$396,055 relates to 2017 (2016 - \$464,129). These costs have been expensed as incurred and are recorded as a loss in net realized gain on sale and disposal of investments.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

8. Share Capital

As at December 31, 2017 and 2016 share capital consists of the following:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Number	Amount \$	Number	Amount \$
<i>Authorized</i>				
Preferred shares	Unlimited	N/A	Unlimited	N/A
Common shares	Unlimited	N/A	Unlimited	N/A
Class A Shares	Unlimited	N/A	Unlimited	N/A
<i>Issued - common shares</i>				
Balance, beginning of year	10,000,000	7,998,893	10,000,000	7,998,893
Issued during the year	-	-	-	-
Balance, end of year	10,000,000	7,998,893	10,000,000	7,998,893
<i>Issued - Class A Shares</i>				
Balance, beginning of year	42,863,200	123,914,769	43,388,500	125,433,378
Normal Course Issuer Bid Repurchases	(2,863,200)	(8,277,328)	(525,300)	(1,518,609)
Balance, end of year	40,000,000	115,637,441	42,863,200	123,914,769
Total	50,000,000	123,636,334	52,863,200	131,913,662

The Class A Shares and common shares have been classified as equity in these financial statements as the holders of these shares have no contractual rights that would require the Company to redeem the shares.

On August 28, 2017, the TSX accepted Urbana's notice of intention to conduct a normal course issuer bid to purchase up to 3,965,762 of its own Class A Shares (the "NCIB"), representing 10% of the public float, pursuant to TSX rules. Purchases under the NCIB were permitted starting on August 31, 2017, and will terminate on the earlier of August 30, 2018, the date Urbana completes its purchases pursuant to the notice of intention to conduct a normal course issuer bid filed with the TSX, or the date of notice by Urbana of termination of the bid. Purchases are to be made on the open market by Urbana through the facilities of the TSX or the CSE in accordance with the rules and policies of the TSX. The price that Urbana may pay for any such shares is to be the market price of such shares on the TSX or the CSE at the time of acquisition. The Class A Shares purchased under the NCIB are to be cancelled. Urbana is not to purchase on any given day, in the aggregate, more than 7,996 Class A Shares, being 25% of the average daily volume for the most recently completed six months prior to the filing of the NCIB with the TSX, which is 31,987 Class A Shares, calculated in accordance with the TSX rules. Notwithstanding this restriction, Urbana may make one purchase of more than 7,996 Class A Shares in any given week in accordance with the TSX's block purchase rules. As at December 31, 2017, Urbana has not purchased any Class A Shares pursuant to the NCIB. Previously, the TSX had accepted Urbana's notices of intention to conduct normal course issuer bids. Details of the previous normal course issuer bid purchases are as follows:

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

8. Share capital (continued)

Normal Course Issuer Bid Period	Total Number of Class A Shares Purchased during the Period	Average Price
August 28, 2008 - August 27, 2009	1,336,582	1.28
August 28, 2009 - August 27, 2010	3,083,920	1.32
August 28, 2010 - August 27, 2011	7,431,300	1.27
August 29, 2011 - August 28, 2012	6,636,033	1.01
August 29, 2012 - August 28, 2013	5,989,067	1.18
August 29, 2013 - August 28, 2014	5,386,000	1.78
August 29, 2014 - August 28, 2015	4,700,000	2.02
August 31, 2015 - August 30, 2016	1,332,400	1.98
August 31, 2016 - August 30, 2017	2,967,600	3.12
August 31, 2017 - August 30, 2018	-	-

9. Related party transactions

Caldwell Financial Ltd., a company under common management with Urbana, is the parent company of Caldwell Investment Management Ltd. ("CIM"), the investment manager of Urbana. Urbana pays CIM investment management fees for investment management services that CIM provides to Urbana.

Urbana has a 50% ownership interest in Radar Capital Inc. ("RCI"), a private capital company. As at December 31, 2017 and 2016, Urbana owned 5,000,040 units of Radar Capital Fund 1 Limited Partnership ("Radar 1") and 300,000 units of Radar Capital Fund II Series F Limited Partnership, which are both managed by RCI. As at December 31, 2017 and 2016, Urbana owned 406,066 units of Caldwell Growth Opportunities Trust, which is a private equity pool managed by CIM.

RCI also managed Highview Investments Limited Partnership ("HILP"). In 2017, Urbana exchanged the common shares and promissory notes of Highview Financial Holdings Inc. ("HFHI") it held for additional units of HILP and subsequently converted all its units of HILP into common shares of HFHI as part of a HFHI capital restructuring.

As at December 31, 2017 and 2016, Urbana owned 9,909,025 and 340,884 common shares respectively, of HFHI. As at December 31, 2017 and 2016, Radar 1 owned 5,945,415 and 3,270,543 common shares respectively, of HFHI.

Investment management fees are charged for portfolio management services in accordance with a fund management and portfolio management agreement effective as of August 1, 2011 between Urbana and CIM. Pursuant to this agreement, CIM is entitled to an investment management fee equal to 1.5% per annum of the market value of Urbana's investment portfolio. In 2017, CIM earned \$4,269,204 of investment management fees from Urbana (2016 - \$3,513,461). The investment management fees are accrued daily and paid quarterly in arrears. As at December 31, 2017 there was an investment management fee payable included in accounts payable and accrued liabilities of \$1,119,796 to CIM (2016 - \$1,012,695).

Caldwell Securities Ltd. ("CSL"), a sister company of CIM and a registered broker and investment dealer, handles Urbana's portfolio transactions. In 2017, the total commission fees paid to CSL by Urbana amounted to \$254,051 (2016 - \$531,425) which was included in transaction costs.

In 2017, Urbana paid CSL \$406,800 (2016 - \$406,800) for administrative services, including investor relations services, office and conference room access for Urbana's directors and officers, and accounting services, including the services of an individual to perform the functions of Urbana's chief financial officer. This expense was included in administrative expenses.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

9. Related party transactions (continued)

All related party transactions are recorded at their exchange amounts, being amounts established and agreed to by related parties.

10. Income taxes

The Company's provision for income taxes for the years ended December 31, 2017 and 2016 is summarized as follows:

	2017	2016
	\$	\$
Net income before income taxes	32,370,588	60,995,780
Expected income taxes payable at future rates - 26.5%	8,578,206	16,163,882
Income tax effect of the following:		
Non-taxable portion of realized capital gains	(1,107,610)	(1,215,694)
Non-taxable portion of unrealized capital gains	(3,726,674)	(7,375,247)
Non-taxable dividends	(169,792)	(316,285)
Foreign withholding tax expense (recovery), net of Canadian tax	125,134	(289,243)
Other	(135,013)	(346,941)
Income tax expense	3,564,251	6,620,472

The income tax expense is represented as follows:

Provision for deferred income taxes	3,394,000	7,014,000
Foreign withholding tax expense (recovery)	170,251	(393,528)
Income tax expense	3,564,251	6,620,472

The components of the Company's deferred income tax liabilities are as follows:

	2017	2016
	\$	\$
Resource deductions available in perpetuity	(10,960)	(10,960)
Unrealized capital gains on investments	14,872,050	11,252,015
Non-capital loss carryforwards	(934,177)	(708,975)
Other	(198,913)	(198,080)
Total deferred income tax liability	13,728,000	10,334,000

At December 31, 2017, the Company had non-capital losses of \$3,525,196 (December 31, 2016 - \$3,176,979) available for carryforward for tax purposes. The expiry dates of these losses are as follows:

Expiry Date	Amount
	\$
December 31, 2028	444,923
December 31, 2029	151,246
December 31, 2031	2,450,121
December 31, 2032	130,689
December 31, 2037	348,217
	3,525,196

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

11. Dividends

On January 31, 2017 the Company paid a regular cash dividend of \$0.05 per share, plus a special cash dividend of \$0.05 per share, for a total of \$0.10 per share on the issued and outstanding common and Class A Shares as at January 17, 2017 amounting to \$5,187,787. On February 12, 2016 the Company paid a cash dividend of \$0.05 per share on the issued and outstanding common and Class A Shares as at January 28, 2016 amounting to \$2,669,438. Subsequent to year end on January 31, 2018 the Company paid a regular cash dividend of \$0.07 per share, plus a special cash dividend of \$0.03 per share, for a total of \$0.10 per share on the issued and outstanding common and Class A Shares as at January 17, 2018 amounting to \$5,000,021.

12. New standards, amendments and interpretations issued but not yet effective

IFRS 9 Financial Instruments (“IFRS 9”)

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The Company plans to adopt the new standard the date it becomes effective.

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, classification and measurement of financial assets will be driven by the Company’s business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”).

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer’s own credit risk will be presented in other comprehensive income.

Based on the Company’s initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Company makes decisions based on the assets’ fair values and manages the assets to realize those fair values. As such the majority of the Company’s financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL.

Impairment of financial assets

IFRS 9 also introduces the expected credit loss (“ECL”) model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact on the Company’s financial assets given that the majority of the Company’s financial assets will continue to be measured at FVTPL.

Hedge accounting

The Company does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Company’s financial statements.

Based on the Company’s initial assessment, IFRS 9 is not expected to have a material impact on the Company’s financial statements.

Urbana Corporation

Notes to the financial statements

for the years ended December 31, 2017 and December 31, 2016

13. Subsequent event

On January 31, 2018, the Company's investments in units of Radar Capital Fund 1 Limited Partnership and units of Radar Capital Fund II Series F Limited Partnership, and its debt holdings of Radar Capital Inc. were converted into units of Radar Capital Inc., which are comprised of preferred shares and class B common shares, as part of a capital restructuring of Radar Capital Inc. In addition, the common shares of Radar Capital Inc. held by the Company were re-designated and split at the ratio of 47,000 to 1.

14. Approval of financial statements

The financial statements were approved by the Board of Directors and authorized for issue on March 9, 2018.

URBANA
CORPORATION

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